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Before the
FEDERAL COMMUNICATIONS COMMISSION
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
)
Amendment of Part 1 of the)
Commission's Rules —)
Competitive Bidding Proceeding)

WT Docket No. 97-82

To: The Commission

REPLY COMMENTS OF COOK INLET REGION, INC.

Cook Inlet Region, Inc. ("CIRI"), pursuant to Section 1.415 of the Commission's Rules, 47 C.F.R. § 1.415, submits these Reply Comments in response to the captioned Notice of Proposed Rule Making, adopted by the Commission on February 20, 1997 and released on February 28, 1997.

In its Comments CIRI urged the Commission to confirm the credit-worthiness of prospective installment payment plan recipients, strictly to monitor all requests for grace period relief, and to cross default its installment payment plan loans with other installment payment plan loans to the same licensee. If the Commission's rules permit bidders to speculate on licenses during an auction and the Commission then eases the administration of the auction debt to assist those licensees, the Commission may never be able to collect the amounts due to the government in the wake of its spectrum auctions. On this basis, Congress may retreat from or even abandon its current support of the Commission's spectrum auctions. More specifically, the ready availability of government financing without a determination of credit worthiness — compounded by relaxed loan administration and

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a permissive selective default policy — could seriously jeopardize the Commission's spectrum auction designated entity program.

Against this background, CIRC opposes the comments of those who would have the Commission maintain a liberal auction debt management program or even further liberalize the current auction debt regime. For example, CIRC urged the Commission to predicate the availability of future installment payment plans on the credit-worthiness of the applicant, suggesting that the Commission require each auction winner to file a sworn statement certifying that it possesses liquid assets sufficient to cover its first year of installment payment obligations.¹ Although some commenters opposed a financial prescreening function,² the Commission must receive assurance that small bidders possess sufficient resources at least to satisfy their initial obligations. CIRC agrees that the Commission's rules should be designed to help smaller businesses attract needed capital. With increased downpayments and initial interest-only payments, however, maintaining funds to cover the first year of obligations should not be unduly burdensome to smaller auction winners.

Similarly, CIRC opposed the Commission's proposal to make grace period relief automatic following a penalty payment, urging the Commission strictly to monitor all requests for installment

¹. CIRC Comments at 13.

². See, e.g., Comments of Pocket Communications, Inc., at 4.

loan relief.³ Although passing on requests for grace period relief may utilize more Commission resources than a system of automatic relief, those resources are minor compared to the loss of government monies under a relaxed debt collection program. At bottom, the Commission should not permit all struggling auction debtors simply to expect payment assistance. Grace period relief should be awarded only when an auction debtor can demonstrate that it is warranted and that the public debt will be satisfied; critical to this determination is an evaluation of the debtor's financial status and auction payment history. Thus, CIRI opposes the comments in favor of automatic grace period relief tied only to the payment of a late fee.⁴ CIRI urges the Commission to facilitate the process of resolving licensee capital issues before payment due dates, but not by awarding payment relief automatically to debtors who otherwise would not merit such treatment.

In this regard, CIRI also urges the Commission to make public the terms of any workouts or debt relief provided to Commission licensees.⁵ Although some commenters have advocated

³. CIRI Comments at 14-15.

⁴. See, e.g., Comments of Airadigm Communications, Inc.; Loli, Inc.; New Wave Communications, Inc.; KMC Interactive TV, Inc.; MAR IVDS, Inc.; New Wave PCS, Inc.; and Euphemia Banas, at 15-16; Comments of AirTouch Paging and Powerpage, Inc., at 7-9; Joint Comments of the Coalition of Institutional Investors at 16; Comments of Mountain Solutions, Ltd., Inc., at 2-3.

⁵. See CIRI Comments at 16-17.

confidentiality for this process,⁶ many parties and the public will be legitimately interested in the settlement of debt payments that are a condition of holding federal radio licenses. Parties asking for Commission relief may request confidential treatment of any sensitive financial information filed with the Commission under Section 0.459 of the Commission's Rules.⁷ Such confidential treatment should safeguard the privacy interests of auction debtors while still making the terms of Commission workouts available for public scrutiny.

Finally, in its Comments, CIRI supported the Commission's proposal to cross default its installment payment plan loans with other installment payment plan loans to the same licensee.⁸ Without a cross default policy, the Commission will encourage bidders to speculate during an auction and to cherry-pick desired licenses thereafter. Notwithstanding the comments of some parties,⁹ neither incentive should be part of a responsible small business auction program. The Commission should review default circumstances on a case-by-case basis, and the Commission may determine that cross default is not warranted in some instances. Generally, however, bidders should not expect that they will be

⁶. See, e.g., Comments of Pocket Communications at 8-9.

⁷. See 47 C.F.R. § 0.459.

⁸. CIRI Comments at 15-16.

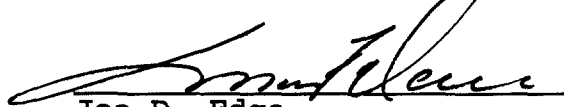
⁹. See, e.g., Comments of Airadigm, et al., at 16; Comments of Pocket Communications at 11-12.

permitted to default on their obligations for some licenses, but to retain licenses in markets that are more attractive.

CONCLUSION

For these reasons, CIRI urges the Commission to confirm the credit-worthiness of prospective installment payment plan recipients, strictly to monitor all requests for grace period relief, and to cross default its installment payment plan loans with other installment payment plan loans to the same licensee.

Respectfully submitted,



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April 16, 1997

CERTIFICATE OF SERVICE

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